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# **National Intelligence Bulletin**

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JAPAN

Leaders of Japan's ruling Liberal Democrats are reportedly ready to recommend party approval of Takeo Miki, the 67-year-old former deputy prime minister, to succeed Kakuei Tanaka as party president and prime minister.

Miki was a compromise choice, put forward when it became apparent that neither of the principal aspirants, Takeo Fukuda or Masayoshi Ohira, would give way for the other. Even Tanaka, who has been Miki's political target since July, may have swallowed the Miki choice in order to kill the chances of Fukuda, a more potent rival over the years.

Miki's selection must now be ratified by the party's executive council and the Liberal Democrats in the Diet. At this point, however, there seems little chance of a major upset despite obvious disappointment on the part of Ohira and others.

Miki's selection is unexpected. Though a powerful political figure ten years ago, he has always been outside the party's mainstream and, in recent years, has had relatively little influence in policy matters. He had also been considered too controversial, in view of his recent attacks on Tanaka's wheeler-dealer political tactics, to be a viable compromise choice for the prime ministry. In the end, however, Miki's reformist image may have commended him to party elders anxious to counter the corruption charges that forced Tanaka's resignation early last week.

The domestic policies of a Miki administration are unlikely to diverge greatly from those of Tanaka, and Miki will undoubtedly continue to give priority to the fight against inflation. In foreign policy, Miki's consistent advocacy of close relations with Peking has earned him the tag of "leftist" from critics in the party's right wing. Miki is also friendly to the US and has supported

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the Security Treaty, though he tends to oppose heavy expenditures for Japan's own defense forces. One favorite Miki theme is closer cooperation among the developed nations of the Pacific basin--Japan, the US, Canada, Australia, and New Zealand--with Japan as the economic link to the less developed Asian states.

Miki received a degree from the University of Southern California in 1935 and reportedly retains a good understanding of English.

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CYPRUS

Acting Cypriot President Clerides returns to Nicosia today reportedly "very satisfied" with the authority given him by Greek Prime Minister Karamanlis and Archbishop Makarios to continue negotiations with the Turkish Cypriots.

A communiqué released yesterday following two days of talks between the three leaders in Athens gave no specifics but quoted Karamanlis as saying there had been full understanding and a common line reached. Makarios said that all aspects of the Cyprus matter had been discussed and that he was satisfied with the results.

In a telephone conversation with his brother in Nicosia, who relayed the information to the US embassy, Clerides confirmed press reports that he was satisfied with the results of the talks. Clerides said that he had been authorized to begin substantive talks with Turkish Cypriot leader Denktash immediately and that he would come to the talks with written instructions setting out his negotiating mandate.

Clerides also told his brother that he hoped the release of the communiqué in Athens would calm down the Turks who, according to unconfirmed reports he had heard in Athens, were preparing to encircle Nicosia and possibly launch an operation to rescue the Turkish Cypriots still in Greek-held territory. The US embassy in Nicosia reports that it has detected no signs of any imminent military actions and that the UN forces on the island report there are no indications of increased Turkish military activity.

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The flurry of reports that the Turkish military is prepared to react strongly to the slightest provocation stemming from Makarios' expected return may have been the result of an orchestrated effort by the Turks to pressure the Greek side when Karamanlis, Makarios, and Clerides were working out their negotiating position. A Greek aide memoire passed to the US and Britain quoted

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Denktash as telling Clerides that the Turkish military could move to cut off Nicosia and rescue Turkish Cypriots in the south if Makarios took a hard line or declared he would not permit the Turkish Cypriots to come north.

Whether Denktash's alleged threat had any impact or not, the archbishop, on his arrival in Athens, skirted the issues the Turkish Cypriots reportedly found most objectionable. In his November 29 speech, Makarios stated his opposition to a partition of the island or "forced" population transfers but left the door open for a wide range of possible political settlements.

If the Turks' pressure tactics were designed to encourage Makarios to put off his return to the island, they apparently failed. In a press conference, Makarios confirmed that he would travel to Cyprus on December 6. When asked for his reaction to a press story that he would return to Athens on December 10, however, Makarios was somewhat vague, noting that he had no firm plans.

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INDIA-PAKISTAN

The agreement reached on November 30 between India and Pakistan to restore trade links is an important new step toward normalization of relations.

The agreement is the latest in the series of accords that have been reached under the Simla Agreement of 1972, in which the two sides resolved to settle their differences peacefully through bilateral negotiation. Trade between the two has been halted since their war in 1965.

Further discussions are to be held in January to work out specific sales arrangements between the two governments. According to the agreement, trade will be conducted on a most-favored-nation basis, with payments to be made in hard currency. Possible items for trade include Pakistani cotton and rice and Indian jute products, light machinery, and iron ore.

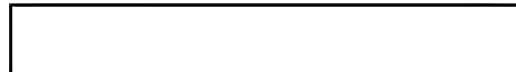
Although India and Pakistan remain wary and suspicious toward each other, they have made considerable progress in settling differences through negotiations. During the past two years, negotiations under the Simla Agreement have resolved many of the problems left over from the Indo-Pakistani war of 1971, such as the withdrawal of troops and the exchange of prisoners of war and stranded civilian minorities. In September the two sides agreed to restore telecommunications and postal links, suspended since 1971, and to establish a liberalized visa system. Last month they began discussions aimed at restoring air links and overflights, also halted in 1971.

The agreement to resume trade could pave the way for talks on the re-establishment of diplomatic relations, broken in 1971. Pakistan has favored an early restoration of diplomatic ties, but India has held that there first should be further progress on other issues.

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